

KENTUCKY ECONOMIC INDICATORS

June 2006 Indicators as of August 18, 2006

KY Composite Index of Leading Indicators increased 1.9 percent in June.

The Leading Index increased for the third time this year and for the first time since March.
The Leading Index rose by 0.3 percent over the same month last year.
Component indicators leaned positive, 3:2.

KY Labor Intensity Index increased 0.3 percent.
KY Index of Initial UI Claims increased by 11.9 percent.
US Retail Sales decreased 4.7 percent.
US Manufacturer's New Orders Index decreased 2.0 percent.
Louisville Help Wanted Index increased 2 points to 37.

Component weights for June are 61.67, 17.29, 12.48, 6.54 and 2.02 respectively.

KY Composite Index of Coincident Indicators increased 4.7 percent in June.

The Coincident Index is positive for the tenth consecutive month.
Same-month-last-year growth is positive for the thirty-fifth consecutive month at 2.3 percent.
All three component indicators were positive, 3:0.

KY Nonagricultural Employment increased 2.6 percent.
US Industrial Production Index increased 9.9 percent.
US Personal Income Less Transfers increased 5.8 percent.

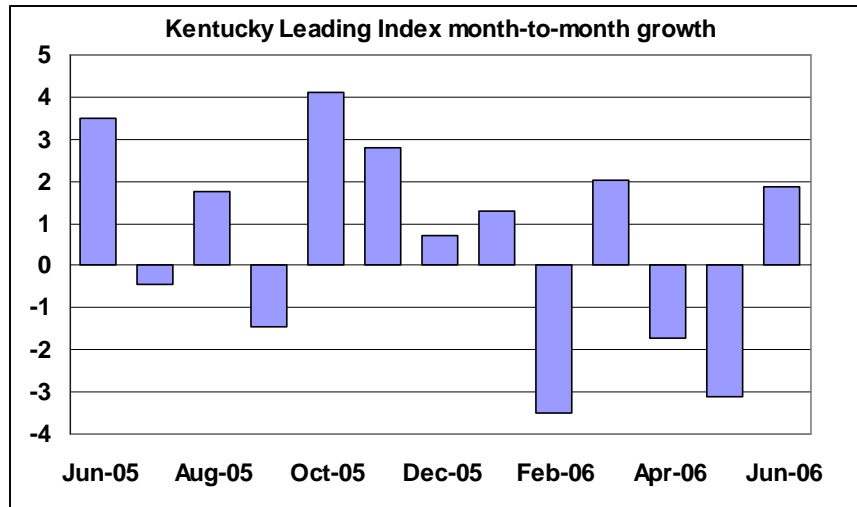
Component weights for June are 40.40, 25.11 and 21.02 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.

The Kentucky Leading Index was moderately positive for June. The components were fairly evenly divided with three components moving up and two components moving down. Overall, the components did not move very much from their May levels. Only the Kentucky Index of UI Claims made a significant movement, increasing 11.9 percent over May. The US subcomponent was the influencing factor. Seasonally Adjusted Kentucky First Pays increased by 0.3 percent, while Seasonally Adjusted US Initial Claims declined by 7.4 percent over May. The other two US components in the Kentucky Leading Index performed poorly. US Retail Sales declined a modest 4.7 percent and US Manufacturer's New Orders Index decreased by a tiny 2.0 percent. The Kentucky Labor Intensity Index increased slightly for June, holding steady right at the 105.0 mark where it has hovered for nearly two years now.

Kentucky Nonagricultural Employment is in a state of solid expansion. Kentucky Nonagricultural Employment has increased modestly for the fourth consecutive month. Kentucky has now recovered 133 percent of its 2001 recession job losses. The last peak in Kentucky Nonagricultural Employment was in October 2000 with 1,831,300 seasonally adjusted jobs. The last trough occurred in July 2003 with 1,776,200 seasonally adjusted jobs. That is a net loss of 55,100 seasonally adjusted jobs. This is larger than the 1990 recession losses but only about half as large as the losses from the dual 1980-1982 recessions. The dual 1980s recessions resulted in 117,900 seasonally adjusted losses in Kentucky Nonagricultural Employment, while the 1990 recession resulted in 15,200 seasonally adjusted losses. In terms of severity to the Kentucky labor market, the dual 1980s recessions had a much larger effect which persisted for a longer period of time than the 2001 recession.

Recent growth in Kentucky Nonagricultural Employment has been especially strong. There have only been three negative months in the last two years. Average growth during that time has been 1.48 percent each month; a respectable amount by any standard. The service sectors have been generating the majority of the increases for the last year, specifically Professional and Business Services, Educational and Health Services and Leisure and Hospitality Services. However, the largest mover in the last year has been Mining, with a net 9.4 percent seasonally adjusted increase since May 2005.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **U.S. Manufacturer's New Orders Index:** This index has two components: US Manufacturer's New Orders for Nondefense Capital Goods and US Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- **Louisville Help-Wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

Notes:

- Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- More information is available on our website, <http://www.osbd.ky.gov/>.

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**Selected Kentucky Economic Indicators
Seasonally Adjusted**

	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
KY Leading Index (1992=100)	108.8	108.7	108.9	108.8	109.1	109.4	109.5	109.6	109.3	109.4	109.3	109.0	109.2
% Chg Previous Month SAAR	3.5	-0.4	1.7	-1.4	4.1	2.8	0.7	1.3	-3.5	2.0	-1.7	-3.1	1.9
% Chg Same Month Last Year	0.9	1.0	0.9	0.8	1.1	1.2	1.1	1.3	0.8	1.1	0.8	0.5	0.3
KY Leading Index Diffusion Index	60.0	56.7	56.7	56.7	60.0	66.7	63.3	70.0	63.3	66.7	60.0	53.3	56.7
KY Coincident Index (1992=100)	130.3	130.4	129.6	130.2	130.7	131.2	131.8	131.8	132.0	132.2	132.7	132.8	133.3
% Chg Previous Month SAAR	4.8	0.5	-7.5	6.1	4.8	4.8	5.1	0.8	1.2	2.2	4.4	1.0	4.7
% Chg Same Month Last Year	2.3	2.1	1.2	1.7	1.7	1.9	1.3	2.0	1.9	2.1	2.4	2.3	2.3
KY Nonag Employment (000s)	1,826.1	1,822.7	1,831.1	1,832.1	1,833.4	1,833.9	1,836.0	1,838.5	1,836.7	1,839.6	1,843.4	1,845.7	1,849.7
% Chg Previous Month SAAR	1.9	-2.2	5.7	0.7	0.9	0.3	1.4	1.6	-1.2	1.9	2.5	1.5	2.6
% Chg Same Month Last Year	1.6	1.6	1.7	1.6	1.6	1.5	1.4	1.6	1.2	1.3	1.2	1.2	1.3
KY Mfg Employment (000s)	263.0	256.8	261.9	262.1	263.0	262.7	262.0	261.8	261.9	261.0	260.8	260.3	260.4
% Chg Previous Month SAAR	-0.5	-24.9	26.6	0.9	4.2	-1.4	-3.2	-0.9	0.5	-4.0	-0.9	-2.3	0.5
% Chg Same Month Last Year	-0.4	-0.5	-0.9	-0.7	-0.3	-0.5	-0.5	-0.4	-0.3	-0.8	-1.0	-1.1	-1.0
KY Unemployment Rate (%)	6.1	6.2	6.2	6.4	6.4	6.4	6.5	6.3	6.3	6.0	6.1	5.6	5.8
KY Index of Initial UI Claims	103.3	103.2	103.0	100.5	102.8	103.5	104.0	105.3	104.1	104.2	104.2	103.0	104.0
% Chg Previous Month SAAR	8.8	-1.5	-2.3	-25.7	31.9	8.6	5.8	16.4	-12.8	0.9	-0.1	-12.5	11.9
% Chg Same Month Last Year	0.9	1.5	0.8	-2.4	-0.3	0.8	0.7	2.6	0.7	1.0	1.0	0.4	0.7
KY Labor Intensity Index	105.1	104.9	105.0	104.9	105.0	105.0	104.9	105.2	105.1	105.2	105.0	105.0	105.0
% Chg Previous Month SAAR	-0.1	-1.4	0.1	-0.6	1.4	0.0	-1.1	2.9	-0.5	0.6	-1.7	-0.4	0.3
% Chg Same Month Last Year	0.1	0.2	0.0	-0.1	0.1	0.1	-0.1	0.1	0.0	0.0	-0.3	-0.1	0.0
Louisville HWI (1992=100)	41.0	41.0	46.0	56.0	54.0	52.0	52.0	44.0	42.0	40.0	39.0	35.0	37.0
% Chg Previous Month SAAR	82.2	0.0	297.8	959.6	-35.4	-36.4	0.0	-86.5	-42.8	-44.3	-26.2	-72.7	94.8
% Chg Same Month Last Year	-19.6	-8.9	-2.1	40.0	31.7	23.8	26.8	4.8	2.4	0.0	2.6	-10.3	-9.8
GF Total Tax Receipts (\$ mill)	738.7	573.9	555.1	778.4	632.7	631.1	836.3	681.4	508.0	598.0	756.5	705.2	808.7
% Chg Same Month Last Year	16.6	10.5	8.1	18.8	12.3	7.4	17.8	3.3	1.4	5.2	-6.4	34.2	9.5
GF Sales & Use Receipts (\$ mill)	219.6	238.5	217.4	229.6	235.6	218.6	228.8	289.0	191.1	204.5	230.5	235.4	230.8
% Chg Same Month Last Year	9.9	5.5	2.7	11.1	5.2	8.7	5.1	6.5	8.4	2.2	2.8	8.9	5.1
GF Income Tax Receipts (\$ mill)	266.3	238.1	250.8	278.0	259.3	234.0	254.3	220.9	199.1	171.4	340.2	213.1	259.5
% Chg Same Month Last Year	-1.4	6.2	2.2	2.1	3.8	1.7	-1.8	-12.6	-14.0	-2.6	-17.8	-1.0	-2.6

Selected US Economic Indicators Seasonally Adjusted													
	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
US Leading Index (1996=100)	137.1	136.9	137.0	135.8	136.9	138.2	138.5	139.1	138.4	138.9	138.7	137.9	138.1
% Chg Previous Month SAAR	14.1	-1.7	0.9	-10.0	10.2	12.0	2.6	5.3	-5.9	4.4	-1.7	-6.7	1.8
% Chg Same Month Last Year	2.5	2.0	1.9	1.0	1.9	2.2	1.8	2.4	1.5	2.6	2.4	1.7	0.7
US Coincident Index (1996=100)	120.2	120.5	119.5	120.1	120.5	121.2	121.6	121.8	122.0	122.3	122.5	122.6	122.9
% Chg Previous Month SAAR	4.1	3.0	-9.5	6.2	4.1	7.2	4.0	2.0	2.0	3.0	2.0	1.0	3.0
% Chg Same Month Last Year	2.6	2.6	1.4	2.0	1.9	2.3	1.4	2.2	2.3	2.4	2.5	2.3	2.2
US Nonag Employment (Mil.)	133.4	133.6	133.8	133.8	133.9	134.2	134.4	134.5	134.7	134.9	135.0	135.1	135.2
% Chg Previous Month SAAR	1.5	2.2	1.6	0.4	0.3	3.2	1.3	1.4	1.8	1.6	1.0	0.9	1.1
% Chg Same Month Last Year	1.5	1.6	1.7	1.6	1.3	1.5	1.5	1.6	1.5	1.5	1.4	1.4	1.4
US Unemployment Rate (%)	5.0	5.0	4.9	5.1	4.9	5.0	4.9	4.7	4.8	4.7	4.7	4.6	4.6
US Manufacturer's New Orders Index (1996=100)	129.5	125.5	129.9	126.6	128.0	132.3	132.6	127.8	127.5	131.8	128.8	129.1	128.9
% Chg Previous Month SAAR	-0.5	-31.6	51.4	-26.3	13.6	49.2	2.5	-35.6	-2.9	48.9	-24.6	3.0	-2.0
% Chg Same Month Last Year	4.7	0.4	4.8	3.0	5.5	6.0	5.8	2.8	2.5	7.3	3.8	-0.4	-0.5
US Initial Claims for UI (000s)	323.9	319.6	317.2	393.4	338.9	315.6	310.4	286.3	306.0	308.9	314.8	333.5	308.8
% Chg Previous Month SAAR	-34.4	-14.8	-8.6	1,224.4	-83.3	-57.5	-18.1	-62.1	122.2	12.0	25.5	99.9	-60.3
% Chg Same Month Last Year	-5.3	-7.2	-7.0	16.6	2.5	-4.0	-4.6	-14.2	-5.1	-9.8	-4.2	-0.6	-4.7
US Industrial Production Index	108.3	108.3	108.6	107.2	108.4	109.4	110.4	110.3	110.7	111.2	112.2	112.3	113.2
% Chg Previous Month SAAR	10.0	-0.2	3.5	-14.7	14.6	11.7	12.0	-0.9	4.3	5.6	10.3	1.8	9.9
% Chg Same Month Last Year	3.7	3.1	3.1	2.0	2.4	3.2	3.5	3.2	3.1	3.7	4.6	4.5	4.5
US Personal Income Less Trans. (Bil. 2000 chained)	7,835.8	7,881.4	7,548.6	7,842.4	7,870.2	7,925.6	7,976.0	7,987.2	8,007.3	8,009.3	8,037.1	8,034.1	8,071.9
% Chg Previous Month SAAR	7.6	7.2	-40.4	58.1	4.3	8.8	7.9	1.7	3.1	0.3	4.2	-0.4	5.8
% Chg Same Month Last Year	3.2	3.2	-1.3	2.7	2.0	2.7	-0.7	2.6	2.9	3.1	3.4	3.2	3.0
CPI, All Urban (1982-84=100)	193.9	195.1	196.2	198.6	199.1	197.8	197.7	199.0	199.1	199.8	201.0	201.9	202.3
% Chg Previous Month SAAR	-0.6	7.7	7.0	15.7	3.1	-7.6	-0.6	8.2	0.6	4.3	7.5	5.5	2.4
% Chg Same Month Last Year	2.5	3.1	3.6	4.7	4.4	3.5	3.4	4.0	3.6	3.4	3.6	4.1	4.3
US Retail Sales (\$Billions)	344.3	351.1	345.1	346.6	347.4	349.6	351.1	361.7	358.7	361.2	363.6	364.3	362.9
% Chg Previous Month SAAR	22.6	26.6	-18.7	5.1	3.1	7.8	5.1	43.2	-9.7	8.7	8.3	2.4	-4.7
% Chg Same Month Last Year	9.8	9.8	8.1	6.6	6.2	6.7	5.8	9.4	7.4	8.0	7.0	7.6	5.4
Manufacturing & Trade Sales (\$thous. 2000 chained)	918.6	922.3	923.1	917.2	920.5	929.0	935.7	947.0	942.9	947.7	944.3	949.2	*953.0
% Chg Previous Month SAAR	3.9	4.9	1.1	-7.4	4.4	11.7	9.0	15.5	-5.0	6.3	-4.2	6.4	4.9
% Chg Same Month Last Year	3.9	3.7	3.0	2.4	2.8	3.3	3.0	4.0	4.1	4.6	3.7	3.7	3.7
US Consumer Expectations (1966=100)	85.0	85.5	76.9	63.3	63.2	69.6	80.2	78.9	74.5	76.0	73.4	68.2	72.0
% Chg Previous Month AR	328.0	7.3	-72.0	-90.3	-1.9	218.2	448.0	-17.8	-49.8	27.0	-34.1	-58.6	91.7
% Chg Same Month Last Year	-4.0	-6.3	-12.8	-28.1	-24.6	-18.3	-11.8	-7.9	-11.7	-8.2	-4.7	-9.4	-15.3
Ave. Prime Interest Rate (% , NSA)	6.01	6.25	6.44	6.59	6.75	7.00	7.15	7.26	7.50	7.53	7.75	7.93	8.02

*ARIMA estimation